

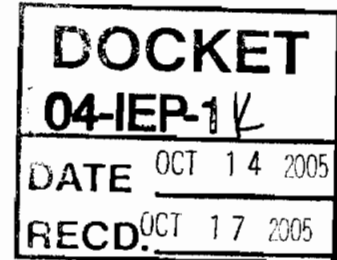


ENVIRONMENTAL DEFENSE

finding the ways that work

October 14, 2005

John L. Geesman,
Commissioner and Presiding Member
James D. Boyd,
Commissioner and Associate Member
California Energy Commission
1516 9th Street, MS-39
Sacramento, CA 95814



Re: IEPR – Docket # 04-IEP-1

Dear Commissioners Geesman and Boyd:

On behalf of Environmental Defense, I applaud the efforts of the Energy Commission to create a framework for a thoughtful and responsible energy policy in California. We appreciate this opportunity to comment on Chapter 4 of the CEC's draft Integrated Energy Policy Report (IEPR) for 2005 relating to California's coal and electricity procurement policies.

California has a venerable legacy of leading the nation to achieve clean air and promote energy efficiency and renewable energy. California is also a leader in the fight against global warming with the passage of the Pavley bill in 2002 and Governor Schwarzenegger's historic Executive Order in 2005, which committed the state to ambitious targets for reductions in global warming pollution. However, California's continuing dependence on imports of electric power from out-of-state coal plants is a stain on this powerful legacy. Coal plants in other states, producing electricity for export to California, discharge vast amounts of pollution and greenhouse gasses. We believe that California should take responsibility for the environmental impacts of all of the energy that we consume, and not just of the energy that we produce.

Protecting the environment should be recognized as one of California's primary energy policy goals.

The Executive Summary of the IEPR currently describes the state's energy policy goals as "ensuring adequate, affordable, and reliable energy." (p. E-2) There is one essential policy goal missing: protecting the environment. This goal is expressed repeatedly throughout the legislation requiring the IEPR (Senate Bill 1389, Statutes of 2002, Chapter 568), and featured prominently in the recently-adopted Energy Action Plan II, which states: "Our overarching goal is for California's energy to be adequate, affordable, technologically advanced, and environmentally-sound." We urge the CEC to correct this oversight in the IEPR, by revising the sentence on page E-2 to read: "...to meet the state's policy goal of ensuring adequate, affordable, ~~and~~ reliable, and environmentally-sound energy services." and revising other similar passages in the IEPR (for example, page E-11).

Resource requirements should be prioritized based upon economic and environmental risk.

Environmental Defense strongly endorses California's loading order policy and urges the CEC to ensure that it becomes the foundation for procuring generating resources by all load serving entities in the state. Energy efficiency should always be the state's top resource priority, followed by renewable energy, and finally fossil generation, using the cleanest, best available technology.

Adopt the Greenhouse Gas Performance Standard without offsets.

We strongly support the Greenhouse Gas Performance Standard proposed in the draft IEPR and elaborated upon in Chairman Desmond's memorandum of September 22. This policy is needed both to achieve the Governor's GHG reduction targets, to safeguard the considerable investments in GHG reductions in other economic sectors, and to protect Californians from the significant financial risks associated with additional investments in highly carbon-intensive electric generating resources. We oppose the use of offsets to meet the standard because there is currently no mandatory, enforceable cap on greenhouse gas emissions in California, the western region, or the United States. We are deeply concerned that without a well-designed, enforceable cap on greenhouse gas emissions, greenhouse gas emission offsets for resources procured from distant jurisdictions will utterly fail rudimentary criteria necessary to ensure their environmental integrity, durability, fungibility and reliability

All of the State's energy consumers must share in our commitment to a sustainable energy future.

To meet the statewide energy saving targets, we must ensure that the publicly-owned utilities (POU) provide at least a proportional share of the savings. Although the state's investor-owned utilities have recently made significant progress at capturing all cost-effective energy efficiency through the CPUC's process, the POUs have not made similar advances. In order to meet the statewide energy saving target, the POUs must provide about one-quarter of the energy savings, representing an *eight-fold* increase from the energy savings currently reported by the POUs. These energy savings are a cornerstone of the state's efforts to provide customers with affordable energy services and to meet the Governor's GHG reduction targets.

While several GWAC organizations will provide detailed comments related to this and other sections of the IEPR, we appreciate this opportunity to present our general recommendations for the state's energy procurement policies.

Sincerely,

Karen Douglas
Director, California Global Warming Program